

RESOLUTION OF THE BOSTON REDEVELOPMENT AUTHORITY

RE: THE ESTABLISHMENT OF A DOWNPAYMENT ASSISTANCE PROGRAM FOR THE PURPOSE OF FACILITATING THE PRODUCTION OF AFFORDABLE HOUSING BY COMMUNITY-BASED, NON-PROFIT ORGANIZATIONS AND MINORITY BUSINESS ENTERPRISES/WOMEN BUSINESS ENTERPRISES IN BOSTON'S NEIGHBORHOODS.

WHEREAS the federal government has withdrawn its financial support of programs for the production and maintenance of affordable housing;

WHEREAS the City of Boston has been and is continuing to experience a crisis in the form of a shortage of affordable housing;

WHEREAS the Boston Redevelopment Authority is occasionally the recipient of funds which can be made available for the purposes of providing loans and grants to producers of affordable housing;

WHEREAS the Boston Redevelopment Authority wishes to contribute to the efforts being made by many individuals and organizations in the City of Boston to produce and preserve housing affordable to low- and moderate-income households;

NOW, THEREFORE, BE IT HEREBY RESOLVED:

1. That a program shall be created for the purpose of facilitating the production of affordable housing by community-based, non-profit organizations and Minority Business Enterprise/Women Business Enterprises (MBE/WBE) in Boston neighborhoods;
2. That such program shall be called "The Boston Redevelopment Authority Downpayment Assistance Program";
3. That the voluntary contributions, grants, loan proceeds, and such other funds as the Authority may allocate from time to time may be used to fund the Program. The Authority shall make an initial contribution of \$95,000 to fund the Program.
4. That no disbursement shall be made from the BRA Downpayment Assistance Program to specific projects without the approval of the Board of the Boston Redevelopment Authority.

MEMORANDUM

DECEMBER 22, 1988

TO: BOSTON REDEVELOPMENT AUTHORITY BOARD AND
STEPHEN COYLE, DIRECTOR

FROM: ANTHONY WILLIAMS, ASSISTANT DIRECTOR FOR
NEIGHBORHOOD HOUSING AND DEVELOPMENT, AND
RONALD FONG, ACTING DEPUTY DIRECTOR FOR
NEIGHBORHOOD HOUSING AND DEVELOPMENT

SUBJECT: ESTABLISHMENT OF A DOWNPAYMENT ASSISTANCE PROGRAM
FOR THE WINSLOW COURT AND INFILL HOUSING
DEVELOPMENTS

SUMMARY: Staff recommends that the BRA establish a BRA
Downpayment Assistance Program to assist the
Winslow Court and Infill Housing Developments to
provide affordable housing in Roxbury.

The BRA Roxbury Housing Pipeline

One of the fundamental goals of the Flynn Administration and the BRA has been the production of affordable housing in Boston's neighborhoods. The primary focus of our efforts is in neighborhoods where, because of a variety of social and economic factors, the quality of housing and the neighborhood environment is poor. Roxbury in particular is one neighborhood in which the BRA has concentrated its energies. Over the past 4 years, the BRA has supported and approved the development of over 1,000 units of housing in Roxbury, approximately half of which are affordable to low- and moderate-income families.

Of these 1,013 units, 230 have been completed or will be completed by the end of the year. An additional 247 units are in construction and will be ready for occupancy in 1989. The remaining 536 units are in the preliminary development stage and will be under construction by 1989 or 1990.

Two projects in which the BRA has taken a prominent role are the Winslow Court and Infill Housing developments. Winslow Court consists of 24 condominium units located at the corner of Dudley and Dearborn Streets near Dudley Square. Construction of these units, all of which will be affordable to moderate-income households, was completed last month. The Infill Housing development calls for the rehabilitation of 17 buildings located in Roxbury and North Dorchester into 84 units, 76 to be

affordable to low- and moderate-income families. Phase I of this project, which is presently under construction, will provide 48 units, 20 to be affordable on a rental basis and 20 to be affordable homeownership opportunities. Both projects are being developed by non-profit community-based organizations.

Cash on Hand: Obstacle to Home Purchasers

As illustrated by the Winslow Court and Infill Housing developments, a majority of the units in the BRA Roxbury housing pipeline are intended to provide homeownership opportunities, particularly for neighborhood residents and first-time home buyers. However, as marketing progressed for the completed or nearly completed projects, many developers found that sales of these units were occurring much more slowly than was expected. Despite immense interest in these projects, many interested home purchasers could not afford to purchase the units due to the large amounts of cash required up front for downpayments and closing costs. The "cash on hand" that potential homeowners are required to have ranges from \$7,000 to \$25,000. This sum of money was often too great for families to muster, regardless of their interest in affordable or market rate housing. Developers and marketing agents agree that the lack of having cash on hand is the overwhelming reason why interested homebuyers have not purchased these units.

The sluggish sale of units at Winslow Court has resulted in unforeseen increases in project expenses that threaten the feasibility of this project. OIC Housing Development Corporation, the non-profit developer of the project, is faced with increased interest payments on the outstanding construction loan, additional security costs as the units stand vacant, and increased marketing expenses. The Infill Collaborative, a coalition of four non-profit community development corporations, is likely to encounter the same problems as they market the Infill project.

BRA Downpayment Assistance Program

The BRA has been working with other City and state agencies in response to this crisis. BRA staff are proposing the creation of a program that, in tandem with a newly created state program, will assist homebuyers to obtain the cash required for downpayments and closing costs for the Winslow Court and Infill developments. This program, the BRA Downpayment Assistance Program, consists of the following components:

- o Provide downpayment loans of up to \$5,000 to homebuyers with an equivalent contribution by the homebuyers or developers of these projects;

- o Limit BRA loan to 50% of downpayment required or 2 1/2% of unit purchase price, whichever is less;
- o Target families that meet income eligibility criteria when applicable for these projects or for specific units within these projects;
- o Where income eligibility criteria do not exist, specify availability of loans to all Roxbury residents regardless of income, and families in Boston with incomes of 120% of median or less;
- o Charge an interest rate of 5.5% to 7.5%, simple interest, due at sale or refinancing;
- o Allow for the loan to revert to a grant after 7 years.

The amount of funds required to provide such assistance for the Winslow Court and Infill projects will not exceed \$95,000. The administration of these funds will be assigned to the Boston Bank of Commerce, or other financial institutions as approved by the Board of Directors of the BRA. The Bank of Commerce will then provide the funds to the actual home purchasers as they secure home mortgages. The BRA loans will be secured by a mortgage.

The new state program, the MHFA Closing Cost Assistance Program, will provide up to \$5,000 or 5% of the purchase price, whichever is less, to assist homebuyers with closing costs. Together, the BRA and MHFA programs will help ensure the viability of the Winslow Court and Infill Housing developments and thus provide housing to one of Boston's most needy communities.

An appropriate vote follows.

VOTED: That the attached resolution of the Boston Redevelopment Authority regarding an establishment of a Downpayment Assistance Program as outlined herein for the purpose of facilitating production of affordable housing by community-based, non-profit organizations and MBE/WBES in Boston's neighborhoods be adopted;

And further VOTED:

That the Authority fund the Program provided that such amount shall not exceed \$95,000;

And further VOTED:

That the Director be and hereby is authorized to enter into an agreement with OIC Housing Development Corporation and/or the Boston Bank of Commerce or other financial institutions approved by the Board of Directors of the Boston Redevelopment Authority to make the funds available as outlined in the Downpayment Assistance Program to unit purchasers of the Winslow Court project, said agreement to be on such terms and conditions as the Director may deem to be necessary, appropriate, and in the best interests of the Authority;

And further VOTED:

That the Director be and hereby is authorized to enter into an agreement with the Infill Collaborative and/or the Boston Bank of Commerce or other financial institutions approved by the Board of Directors of the Boston Redevelopment Authority to make the funds available as outlined in the Downpayment Assistance Program to unit purchasers of the Infill Housing project, said agreement to be on such terms and conditions as the Director may deem to be necessary, appropriate, and in the best interests of the Authority.

